

EPIM Cabot

Q1 2025 Portfolio Update



Latest Market Commentary – March 2025

The FTSE 100 hit another new all-time high at the end of February, boosted by some solid earnings reports, a stronger dollar and takeover talk. However, equity markets slipped in March as investors sought clarity on the scope and impact of Donald Trump's tariff strategy ahead of new "reciprocal" measures that will be announced in April.

Equity markets have also been impacted by a note of caution over the pace of US interest rate cuts during 2025 following comments by senior Federal Reserve policymakers. The US central bank is now projecting just two interest rate cuts this year, as inflation has remained stubborn – and several of Mr Trump's policies are likely to contribute to inflation should they be implemented in full. However, some weak economic data has resulted in markets believing there may be more cuts than the central bank's current guidance.

Major US technology shares are still dealing with the fallout from January's news that Chinese group DeepSeek had developed an artificial intelligence (AI) system cheaper than those developed in the West that it claimed is just as powerful. After AI companies saw their valuations swell in 2024 on optimism over prospects for the nascent technology, concerns mounted that businesses were overspending. However, major companies such as Amazon, Facebook-owner Meta and Google-owner Alphabet remain committed to investing in AI infrastructure. Most of the US companies involved in the sector have welcomed the competition from China.

Donald Trump was inaugurated as US president in January after he won a majority in both chambers of Congress in the November 2024 election. He immediately released a flurry of Executive Orders, many of which involved reversing climate initiatives. These included the US's immediate withdrawal from the Paris

Agreement on climate change and a promise to "drill, baby, drill" to increase the country's output of oil and gas.

The new president plans to raise tariffs of up to 25% on Mexican and Canadian goods from early March, as he targets illegal immigration and drug smuggling. Mr Trump has also vowed to impose additional 10% tariffs on Chinese goods on top of the 10% he already introduced in February. Tariffs of 25% on steel, aluminum and vehicles have also been unveiled. A big announcement is expected in the first week of April. Mr Trump insists that reciprocal action, where tariffs are raised to match those of other nations, is needed because the world's biggest economy had been "ripped off by every country in the world". He has deemed the day of this announcement "Liberation Day".

The defence sector has been a major beneficiary of President Trump's new policies as he attempts to pressure NATO members into increasing their spending in this area. He believes the US is bearing too much of the cost of protecting Europe and members of the trans-Atlantic alliance need to increase spending significantly. The US is attempting to strike a deal with Russian leader Vladimir Putin to end the war in Ukraine, but Trump is excluding allies in Europe from the initial negotiations and the process remains controversial.

The fourth-quarter earnings season was generally supportive of equity markets, but companies that issued disappointing guidance were hit hard in valuation terms. Given concerns in the market about inflation and tariffs, analysts have lowered earnings estimates more than normal for S&P 500 companies in the first quarter.

Clearly, Donald Trump's policy intentions have created some uncertainty over the outlook for inflation and growth in the US, but the Federal Reserve is still expected to engineer a soft economic landing. Although evidence of a slowdown has emerged in the UK, there is nothing yet to suggest this could morph into a recession.

	EPIM Cabot Cautious	EPIM Cabot Moderately Cautious	EPIM Cabot Balanced	EPIM Cabot Growth	EPIM Cabot Global Equity
Fixed Income	58.4	50.0	34.7	18.9	5.9
Government Bond	19.1	12.5	11.7	8.7	5.9
Inflation Linked	5.1	4.1	3.1	3.0	0.0
Investment Grade Bond	34.2	33.4	19.9	7.2	0.0
High Yield	0.0	0.0	0.0	0.0	0.0
EMD	0.0	0.0	0.0	0.0	0.0
Equity	15.5	29.7	47.4	66.4	78.5
North America	7.7	14.6	23.9	31.0	39.6
Japan	2.9	4.7	5.5	6.9	6.9
Europe	1.9	2.4	3.4	4.1	4.8
UK	3.0	5.2	5.4	6.5	7.0
Asia Pacific ex-Japan	0.0	2.8	5.8	8.4	9.6
GEM	0.0	0.0	3.4	6.9	7.0
Global/Thematic Equities	0.0	0.0	0.0	2.5	3.5
Alternatives	5.1	10.2	11.9	12.6	13.5
Property	2.0	2.0	3.1	4.0	5.1
Absolute Return	0.0	0.0	0.0	0.0	0.0
Infrastructure	3.1	8.3	8.7	8.6	8.4
Commodities	0.0	0.0	0.0	0.0	0.0
Private Equity/Debt	0.0	0.0	0.0	0.0	0.0
Cash & Equivalent	21.1	10.1	6.1	2.0	2.1

Portfolio Positioning

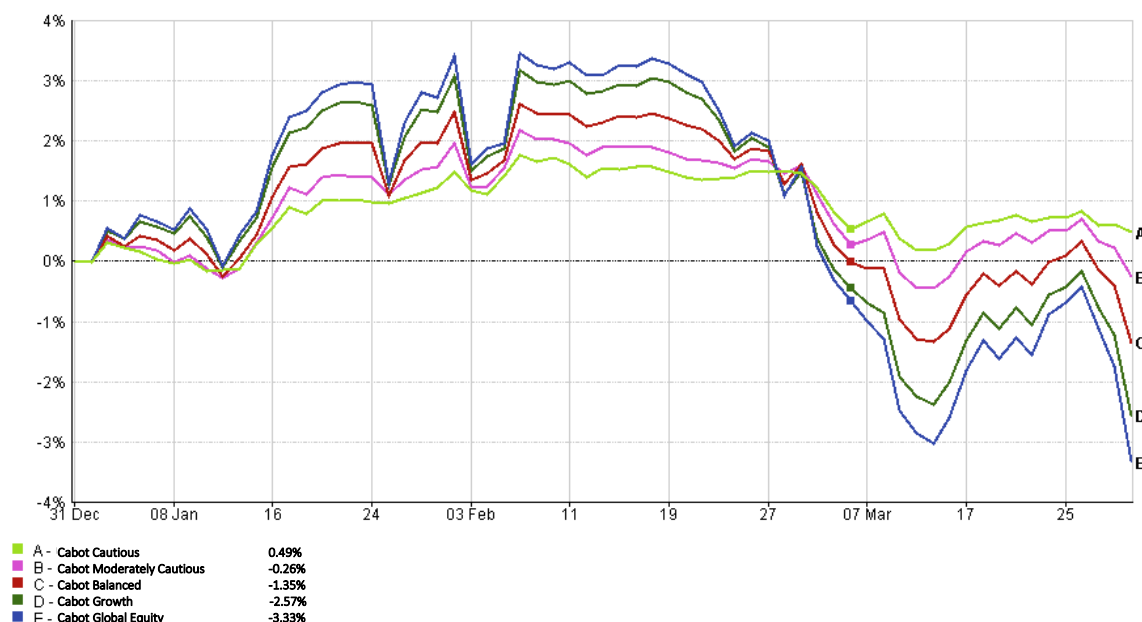
At the start of each year, we run through the process of deriving our Strategic Asset Allocation (SAA). We carry out all our asset allocation work in house, since we believe that it will be the biggest driver of the returns that we generate. The aim of this process is to build portfolios at appropriate risk levels that we believe will generate the best risk-adjusted returns over the coming 5 year plus period, in excess of their respective CPI+ objectives. As always, since we ran the process last year a lot has changed in the world and in markets. We want to make sure that our review process is responsive enough, but also not too reactionary or short-term in its construction that the boundary between Strategic (5 year+) and Dynamic (3-18 month) Asset Allocation becomes blurred. Below we have highlighted the main year over year changes to the SAA as a result of the process outlined above.

In terms of the high-level asset class weights (fixed income, equities, alternatives and cash), there hasn't been a significant change on a year over year basis vs the 2024 strategic asset allocation weights for most risk levels. Whilst this might come as a surprise to some, we see this as the result of a well-functioning SAA process. A lot has indeed changed over the 12 month period since we last ran this process. However, the net impact is that we have not seen a significant change in the risk and return inputs to our SAA process at the high level asset class level. In the absence of material changes to the input values, we would expect limited changes to the output values as we have seen this year.

Following the Strategic asset allocation, we undertook our monthly asset allocation meeting. We continue to recommend a neutral weight allocation (relative to the SAA) to headline asset classes. While we expect volatility to remain elevated in the short term, we do not view this as an opportune time to reduce risk exposure within portfolios. There are relative value opportunities within different segments of equity markets. While some markets, notably US large cap tech, have stretched valuations and increasingly higher earnings expectations, others, such as UK and EU small caps, are trading at historically cheap levels on the back of excessively negative sentiment.

We maintain the view that fixed income offers attractive risk adjusted returns. As central bank rate path expectations remain volatile, we do not wish to increase our duration exposure yet as we wait for a better entry point. Short Dated Investment Grade credit remains in our portfolios where held to enhance returns along with sovereigns as a risk anchor.

Figure 1: 3 month Performance



Source: Financial Express Analytics, net income reinvested. Past Performance is not a reliable indicator of future returns. As at: 31 March 2025.

Quarterly Performance

Following strong equity market returns in 2024 driven by North American many investors felt this theme would continue and had the potential to be amplified by Donald Trump's second term as President. However, the story that played out was quite different.

Equity Markets slipped as investors sought clarity on the scope and impact of Donald Trump's tariff strategy. European equity indices fared better than those in the US, amid a rotation by investors from Wall Street where valuations are rich and economic uncertainty now prevails. Emerging market shares outperformed developed markets in general, with China outperforming India in the short term.

Weakness in US equity markets was sparked by investor worries over the effect of Donald Trump's tariff strategy on the country's economy. This uncertainty was compounded after the announcements by the US president left many questions unanswered.

As expected, the US Federal Reserve held its key interest rate steady at 4.25% to 4.50%. Its Federal Open Markets Committee (FOMC) downgraded its outlook for economic growth and moved its inflation projection higher. Inflation protected assets performed well over the quarter.

Alternatives produced mixed returns with broad global infrastructure fairing better than Property over the quarter.

The silver lining is that we are now seeing diversification benefits in portfolios during this selloff that were not present during the last market correction. This was true in the first quarter for stocks and bonds, with falling yields in the US partially offsetting equity losses, and the opposite being true in Europe.

12m Attribution

EPIM Cabot Growth	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	19.8	3.5	0.7
Government Bond	8.3	1.1	0.1
Inflation Linked Bond	3.0	4.6	0.1
Investment Grade Bond	8.5	5.6	0.5
High Yield Bond	0.0	0.0	0.0
Emerging Market Bond	0.0	0.0	0.0
Equity	66.2	3.1	2.0
North America	30.4	5.5	1.6
Japan	6.5	-2.5	-0.2
Europe	4.1	3.2	0.1
UK	5.7	5.1	0.2
Asia Pacific ex-Japan	8.8	-0.8	0.0
Global Emerging Market	6.9	5.1	0.4
Global Equity / Thematics	3.8	-2.9	-0.1
Alternatives	12.1	7.0	0.9
Property	4.1	2.9	0.1
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	8.0	9.4	0.7
Commodities	0.0	0.0	0.0
Private Equity / Debt	0.0	0.0	0.0
Cash & Equivalent	1.8	2.7	0.0

We saw positive returns across all four asset classes over the trailing 12-month period.

In fixed income, positive returns were recorded across sub-asset classes, with investment-grade bonds being the best-performing sub-asset class. The Vanguard Global Short-Term Corporate Bond Index (+5.6%) was the largest contributor to returns. In equities, performance was mixed. North America once again led the way, with the Fidelity Index US Hedged (+5.95%) being the best-performing holding. The UK and Global Emerging Markets were also strong performers, while disappointing performance came from Global Equity/Thematics and Japan. L&G Robotics and Automation was the worst-performing holding although this was sold last year (-3.7%).

Results in alternatives were positive across sub-asset classes, with L&G Global Infrastructure (+9.4%) being the best-performing holding over the period. The fund aims to track the performance of the FTSE Global Core Infrastructure Index. Finally, it is worth noting the strong returns delivered by cash during the period.

EPIM Cabot Cautious	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	59.1	4.2	2.5
Government Bond	20.2	1.7	0.4
Inflation Linked Bond	4.9	4.6	0.2
Investment Grade Bond	34.0	5.6	1.9
High Yield Bond	0.0	0.0	0.0
Emerging Market Bond	0.0	0.0	0.0
Equity	17.4	3.2	0.6
North America	0.5	-3.7	-0.3
Japan	2.9	-3.5	-0.1
Europe	0.1	-4.4	-0.1
UK	2.6	10.0	0.2
Asia Pacific ex-Japan	0.0	0.0	0.0
Global Emerging Market	0.0	0.0	0.0
Global Equity / Thematics	11.3	7.4	0.9
Alternatives	5.3	6.8	0.4
Property	2.1	2.9	0.1
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	3.2	9.4	0.3
Commodities	0.0	0.0	0.0
Private Equity / Debt	0.0	0.0	0.0
Cash & Equivalent	18.2	4.5	0.8

EPIM Cabot Moderately Cautious	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	50.8	4.1	2.1
Government Bond	12.6	2.1	0.3
Inflation Linked Bond	4.6	4.6	0.2
Investment Grade Bond	33.6	4.9	1.6
High Yield Bond	0.0	0.0	0.0
Emerging Market Bond	0.0	0.0	0.0
Equity	29.3	2.4	0.7
North America	12.6	5.5	0.6
Japan	4.6	-2.3	-0.1
Europe	2.7	3.2	0.1
UK	4.9	5.5	0.3
Asia Pacific ex-Japan	3.0	-3.1	-0.1
Global Emerging Market	0.0	0.0	0.0
Global Equity / Thematics	1.7	-2.0	-0.1
Alternatives	10.0	7.2	0.8
Property	3.1	2.9	0.1
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	6.9	9.4	0.6
Commodities	0.0	0.0	0.0
Private Equity / Debt	0.0	0.0	0.0
Cash & Equivalent	9.8	4.3	0.4

EPIM Cabot Balanced	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	37.3	4.1	1.5
Government Bond	11.6	1.5	0.2
Inflation Linked Bond	4.1	4.6	0.2
Investment Grade Bond	21.5	5.5	1.2
High Yield Bond	0.0	0.0	0.0
Emerging Market Bond	0.0	0.0	0.0
Equity	47.7	3.0	1.4
North America	22.2	5.9	1.2
Japan	5.6	-2.3	-0.1
Europe	3.2	3.2	0.1
UK	5.2	4.7	0.2
Asia Pacific ex-Japan	6.0	-0.1	0.0
Global Emerging Market	3.4	5.1	0.2
Global Equity / Thematics	2.1	-1.8	-0.1
Alternatives	11.1	7.2	0.8
Property	3.1	2.9	0.1
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	8.0	9.4	0.7
Commodities	0.0	0.0	0.0
Private Equity / Debt	0.0	0.0	0.0
Cash & Equivalent	4.0	3.8	0.1

EPIM Cabot Global Equity	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	8.8	1.7	0.2
Government Bond	6.0	1.1	0.1
Inflation Linked Bond	1.8	3.4	0.1
Investment Grade Bond	0.9	2.4	0.0
High Yield Bond	0.0	0.0	0.0
Emerging Market Bond	0.0	0.0	0.0
Equity	74.9	3.4	2.3
North America	36.7	5.8	1.9
Japan	6.7	-2.8	-0.2
Europe	4.7	3.2	0.1
UK	6.6	5.4	0.3
Asia Pacific ex-Japan	9.0	-0.2	0.0
Global Emerging Market	7.2	5.1	0.4
Global Equity / Thematics	4.1	-3.1	-0.1
Alternatives	14.3	6.8	1.0
Property	6.1	2.9	0.2
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	8.2	9.4	0.8
Commodities	0.0	0.0	0.0
Private Equity / Debt	0.0	0.0	0.0
Cash & Equivalent	2.0	2.5	0.0

Top & Bottom Contributors – 12m to 31 March 2025

Cabot Cautious	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR (%)	Description	Weight (%)	Return (%)	CTR (%)
	L&G Short Dated Corp Bond Index	12.3	5.4	0.7	Fidelity Index US Hdg	0.2	-4.3	-0.1
	Vanguard UK Short Term Investment Grade Bond Index	11.9	5.4	0.6	Legal & General US Index C Inc	0.2	-4.3	-0.1
	L&G International Index Trust	7.7	7.4	0.6	Legal & General Japan Index	2.9	-3.5	-0.1

Cabot Moderately Cautious	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR (%)	Description	Weight (%)	Return (%)	CTR (%)
	Legal & General Global Infrastructure Index	6.9	9.4	0.6	Legal & General Pacific Index	3.0	-3.1	-0.1
	Legal & General US Index C Inc	8.8	4.0	0.6	Legal & General Japan Index	3.2	-3.5	-0.1
	L&G Short Dated Corp Bond Index	10.3	5.4	0.5	L&G S&P500 US Equal Weight Index Fund	0.3	-1.8	-0.1

Cabot Balanced	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR (%)	Description	Weight (%)	Return (%)	CTR (%)
	Legal & General Global Infrastructure Index	8.0	9.4	0.7	L&G S&P500 US Equal Weight Index Fund	0.4	-1.8	-0.1
	Fidelity Index US Hdg	9.5	6.9	0.6	Legal & General Japan Index	3.7	-3.5	-0.1
	Legal & General US Index C Inc	7.3	4.0	0.5	Legal & General Pacific Index	3.4	-3.1	-0.1

Cabot Growth	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR (%)	Description	Weight (%)	Return (%)	CTR (%)
	Legal & General Global Infrastructure Index	8.0	9.4	0.7	Legal & General Pacific Index	5.9	-3.1	-0.2
	Fidelity Index US Hdg	12.5	6.9	0.7	L&G S&P500 US Equal Weight Index Fund	0.5	-1.8	-0.1
	Legal & General US Index C Inc	9.6	4.0	0.6	Legal & General Japan Index	4.6	-3.5	-0.1

Cabot Global Equity	Positive Contributors				Negative Contributors			
	Description	Weight (%)	Return (%)	CTR (%)	Description	Weight (%)	Return (%)	CTR (%)
	Fidelity Index US Hdg	14.6	6.9	1.0	Legal & General Pacific Index	5.2	-3.1	-0.2
	Legal & General Global Infrastructure Index	8.2	9.4	0.8	Legal & General Japan Index	4.8	-3.5	-0.2
	Fidelity US Index Fund	10.6	3.8	0.6	L&G S&P500 US Equal Weight Index Fund	0.7	-1.8	-0.2

Source: Bloomberg – 31/03/2025. CTR = Contribution to Returns. Past performance is not an indicator of future performance.

Risk Characteristics

	Max Drawdown			Sharpe Ratios			Volatility		
	1y	3y	5Y	1y	3y	5Y	1y	3y	5Y
EPIM Cabot Cautious	-1	-7	-9.3	0.8	0.3	0.4	3.3	5	4.5
EPIM Cabot Moderately Cautious	-2.2	-9.2	-11.7	0.6	0.2	0.5	4.3	6.4	6
EPIM Cabot Balanced	-3.7	-9.7	-12.3	0.4	0.3	0.7	5.6	7.8	7.6
EPIM Cabot Growth	-5.5	-9.9	-12.6	0.3	0.3	0.8	7.1	8.9	9
EPIM Cabot Global Equity	-6.5	-9.8	-12.8	0.2	0.3	0.8	8.1	9.7	10.1

Source: FE Analytics. All data as at 31 March 2025

Past performance is not a reliable guide to future performance. The performance is net of Eden Park Investment Management fees, with income reinvested. Return Period: Weekly

● Risk Free Rate: 1.5% ● Annualised Ratios: Yes ● Currency: Pounds Sterling

General Regulatory Disclosure

The value of investments, and any income derived from them, can fall as well as rise and may be affected by exchange rate variations. Investors may get back less than invested.

Performance is calculated on a Total Return basis using a notional portfolio in Financial Express Analytics. Performance is net of Charles Stanley investment management fees but not adviser fees nor platform costs. Any charges and fees applied by platforms and/or authorised intermediaries will be charged in addition to the charges shown. The Total Ongoing Charges Figure (TOC) is calculated on a periodic basis using a weighted average of the most recent publicly available Total Ongoing Charges for the underlying investments as at the date of the factsheet. This includes the underlying funds' Ongoing Charges Figure plus Transaction costs plus Incidental costs. Please note that whilst we endeavour to show all charges associated with specific funds, sometimes this is not possible due to the information not being made available by the fund provider. In such cases transaction or incidental cost information may be missing. Portfolios linked to this Model Portfolio may not exactly replicate the model due to the difference in timing of initial investment or rebalancing differences resulting from minimum transaction size limits on platforms. The management and rebalancing of this Model Portfolio does not take Capital Gains Tax into consideration. This document has been prepared for information purposes only and does not constitute advice or a personal recommendation, nor does it constitute an invitation to purchase units or shares. The information on which the document is based is deemed to be reliable. Charles Stanley has not independently verified such information and its accuracy or completeness is not guaranteed. Charles Stanley & Co. Limited is authorised and regulated by the Financial Conduct Authority.